

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 NRC-05 /133 W
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FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC 8187
INFO AMCONSUL KARACHI

C O N F I E N T I A L ISLAMABAD 6930

FOR NEA/PAE: LUCIUS

E.O. 11652: GDS
TAGS: ENRG, PINR, PK
SUBJECT: CURRENT PETROLEUM SITUATION

REF: ISLAMABAD 5719

1. ECONCOUNS TALKED TODAY WITH M. MASIHUDDIN, ADDITIONAL SECRETARY, MINISTRY OF FUELS AND POWER, WHO HAS AT LEAST TEMPORARILY REPLACED SHEHZAD SADIQ IN HIS JOB AS SECRETARY OF FUELS AND POWER AND AS COMMISSIONER OF PETROLEUM. MASIHUDDIN EXPRESSED PERSONAL SYMPATHY FOR BUDIQ'S PLIGHT WHILE ALSO MENTIONING ANNOYANCE THAT HIS POLITICAL ELEVATION OVER SENIOR CIVIL SERVANTS (READ MASIHUDDIN) HAD CAUSED THE CIVIL SERVICE. HE SAID HE THOUGHT SADIQ WAS PROBABLY GUILTY OF ALLEGATIONS AGAINST HIM (INCLUDING CHARGES OF KICKBACKS ON OIL RIGS), "OTHERWISE THE CHARGES WOULD NOT HAVE BEEN MADE."

2. MASIHUDDIN, WHO ALTHOUGH A SENIOR CIVIL SERVANT IS WITHOUT PETROLEUM EXPERIENCE AND WHO IS IN THE SECOND YEAR OF A THREE YEAR POSTING TO FUELS AND POWER,
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EXPRESSED A PHILOSOPHICAL DIFFERENCE WITH SADIQ. SADIQ WANTED TO CONDUCT A SUBSTANTIAL AMOUNT OF THE OIL EXPLORATION WORK WITH GOVERNMENT RESOURCES. (APPARENTLY THIS IS WHAT LED HIM TO BLOCK A PROMISING CONCESSION THAT MOCO WANTED IN THE NORTH POTWAR AND WHICH EARNED SADIQ AMOCO'S ENMITY.) MASIHUDDIN WANTS THE OIL COMPANIES TO TAKE THE EXPENSIVE RISK OF

EXPLORATION AND USE THE RESOURCES BUDGETED FOR THE OIL AND GAS DEVELOPMENT CORPORATION (OGDC) TO DEVELOP PROVEN FIELDS.

3. AS REGARDS GULF, MASIHUDDIN TOLD ECONCOUNS THAT HE COULD ASSURE GULF THAT ITS DEAL IS VERY MUCH ALIVE. MASIHUDDIN SAID HIS UNDERSTANDING IS THAT GULF IS STILL NEGOTIATING CONTRACT CHANGES WITH THE WORLD BANK AND THAT ONCE THIS PROCESS IS OVER, GOP WILL SIGN THE CONTRACT. THE GOP ACCEPTS THE CHANGES THE BANK WANTS. HE SAID HE IS GOING TO WASHINGTON IN AUGUST TO SIGN THE \$30 MILLION LOAN WITH THE WORLD BANK FOR OGDC AND IF THE GULF MATTER IS NOT WRAPPED UP BY THEN, HE WILL ATTEND TO IT WHILE IN WASHINGTON.

4. IT IS APPARENT THAT MASIHUDDIN IS BUSINLY DISMANTLING SADIQ'S EMPIRE: WHILE SADIQ HAD PHYSICALLY MOVED OUT OF THE SECRETARIAT INTO ONE FLOOR OF A PRIVATE OFFICE GUILDING WHERE HE HOUSED THE ISLAMABAD CONTINGENT OF THE OGDC AND THE PETROLEUM COMMISSION, MASIHUDDIN IS RETURNING DECISION-MAKING TO THE SECRETARIAT BUILDING. THE HEAD OFFICE OF THE OGDC HAS BEEN RETURNED TO KARACHI. FROM WHAT MASIHUDDIN SAYS, HOWEVER, THE EMPHASIS ON FOREIGN OIL COMPANIES, ESPECIALLY AMERICAN OIL COMPANIES, INTRODUCED BY SADIQ WILL BE CONTINUED, BUT WITH MORE OF THE RISK SHIFTED
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TO THEM.
HUMMEL

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Message Attributes

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